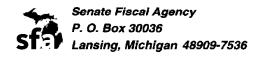
(Senate-passed version)





Telephone: (517) 373-5383

Fax: (517) 373-1986

House Bill 4614 (Substitute S-1)

Sponsor: Representative Rob VerHuelen

House Committee: Roads and Economic Development

Senate Committee: Government Operations

Date Completed: 6-30-15

CONTENT

The bill would amend the Streamlined Sales and Use Tax Revenue Equalization Act to apply the sales tax to alternative fuels based on a per-gallon equivalent to motor fuels.

The Act imposes a tax on diesel fuel used in qualified commercial motor vehicles by interstate motor carriers. The tax is imposed at a cents-per-gallon rate equal to 6% of the statewide average retail price of a gallon of self-serve diesel fuel. Under the bill, this tax would apply to motor fuel, which would include both diesel fuel and gasoline, and would be based on the statewide average retail price of undyed no. 2 ultra-low sulfur diesel fuel or self-serve unleaded regular gasoline, as applicable.

The bill also would impose a tax on alternative fuel used in qualified commercial motor vehicles by interstate carriers. This tax would be imposed at a cents-per-gallon rate, or cents-pergallon equivalent rate, as applicable, equal to 6% of the average retail price of a gallon or gallon equivalent, as applicable, of the applicable alternative fuel.

"Alternative fuel" and "gallon equivalent" would mean those terms as defined in Section 151 of the Motor Fuel Tax Act. (House Bill 4615 would define "alternative fuel" as a gas, liquid, or other fuel that, with or without adjustment or manipulation, is capable of being used for the generation of power to propel a motor vehicle, including natural gas, compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, hydrogen compressed natural gas, or hythane. It would not include motor fuel, electricity, leaded racing fuel, or an excluded liquid.

The definition of "gallon equivalent" would depend on whether the fuel was compressed natural gas, hydrogen, hydrogen compressed natural gas, or liquefied natural gas.)

The bill would take effect on October 1, 2015, and is tie-barred to Senate Bill 414 and House Bills 4612, 4613, 4615, and 4616.

MCL 205.173 & 205.175

FISCAL IMPACT

The bill would not result in increased revenue without a corollary amendment to the State Constitution. The bill could effectively tax one good based on the value of a "gallon equivalent", and could result in an effective sales tax rate on alternative fuels that would be

Page 1 of 2 4614/1516 greater than 6%. Since the State Constitution provides a sales tax ceiling of 6%, the bill's key provisions would be unenforceable.

It is possible that this provision could reduce revenue if a gallon-equivalent calculation resulted in an effective sales tax rate of less than 6%.

Assuming the Constitution was amended to allow a higher sales tax on alternative fuels, the additional revenue that the bill would generate is indeterminate, due to the fact that the pergallon equivalents have not been determined.

Fiscal Analyst: Glenn Steffens